

## **FACT SHEET**

### **WORKING CAPITAL GUARANTEE PROGRAM**

Ex-Im Bank's Working Capital Guarantee Program (Program) encourages commercial lenders to make loans to U.S. businesses for various export-related activities. The program covers 90 percent of the loan's principal and accrued interest, and carries the full faith and credit of the U.S. government.

The Program facilitates the expansion of U.S. exports. It helps small and medium-sized businesses that have the potential to export but need funds to support their export efforts. It may be used to cover a working capital loan to a creditworthy U.S. business if the lender shows that the loan would not have been made without Ex-Im Bank's guarantee.

*Lender Criteria:* Any bank, provider of commercial credit, or other public or private lender with at least three years' operating history may apply for eligibility under the Program.

*Exporter Criteria:* The exporter must be a commercial entity, domiciled in the U.S., which operates as a going concern and currently exports or plans to export. Exporters must have a revenue-producing operating history of at least one year (at least three years for exporters in a service industry), and a positive tangible net worth. Start-up and development-stage entities are ineligible. The exporter must have a demonstrated ability to perform under contract.

*Type and Term of the Loan:* A loan can support a single export transaction (transaction-specific) or multiple export transactions (revolving). The term of the loan generally does not exceed one year (up to three years for a revolving loan if the lender typically extends such terms). On a case-by-case basis, a transaction-specific loan may be approved for a longer term to allow for an extended production cycle.

*Use of the Loan:* The loan may be used: (1) to acquire inventory for export; (2) to pay for direct and indirect costs (e.g., design and engineering, labor and overhead) used for the manufacture or purchase of export-related goods (including work in process) or for the provision of export-related services; (3) to support letters of credit serving as bid or performance bonds or payment guarantees, or to a limited extent (and only as approved by Ex-Im Bank), serving as warranty bonds and (4) by an indirect exporter - a company acting as a subcontractor to an exporter. With Ex-Im Bank's pre-approval, a portion of the first disbursement under the loan may be used to repay pre-existing debt of the exporter.

*Collateral Requirements:* Guaranteed loans must be fully collateralized at all times. Primary collateral typically consists of export-related inventory and export-related accounts receivable. Disbursements are made against a borrowing base, with typical advance rates of 75% for eligible inventory and 90% for eligible accounts receivable. For service-sector businesses, export-related costs such as engineering, design, and allocable overhead may be treated as collateral. Additional support generally consists of second or junior liens on other assets of the exporter, as well as the guarantee(s) of principal shareholder(s) (over 20% ownership).

*Application Process:* Exporters may apply directly to Ex-Im Bank for a preliminary commitment for a guarantee. If approved, the exporter may then approach lenders to secure the most attractive loan package. A preliminary commitment is valid for six months. The lender must apply for the final commitment. Alternately, a lender may make initial application to Ex-Im Bank for a final commitment on behalf of an exporter. Applications submitted for Ex-Im Bank's approval must be for a loan amount greater than \$833,333. Applications below that amount may be processed either by Ex-Im Bank Delegated Authority Lenders or by the U.S. Small Business Administration.

*Ex-Im Bank charges:*

- C A processing fee of \$500 with each application for a preliminary commitment, \$400 of which will be applied toward the facility fee on the operative final commitment, if any;  
OR
- C A processing fee of \$100 with each application for a final commitment. (No additional fee is charged for conversion of a preliminary commitment to a final commitment.)

AND

- C An up-front facility fee of either 1.5 percent or 1.0 percent (depending on the exporter's financial condition and the terms of sale of its export-related accounts receivable), based on a one-year loan. (For loans of up to six months, the facility fee is 0.75 percent or 0.50 percent. Revolving loans with three-year terms are charged the facility fee of either 1.5 percent or 1.0 percent, up-front on an annual basis.)

*Program Restrictions:* The loan cannot be used to finance the export of defense, military, or nuclear items or the export of any items to defense or military buyers. Rare exceptions may be made for humanitarian and life-saving items, but only with Ex-Im Bank's prior written consent. Other restrictions include (but are not limited to) support for domestic sales, capital expenditures, and overseas operations, or to repay other debt unrelated to the loan (unless pre-approved in writing by Ex-Im Bank).

#### **ALTERNATE FUNDING SOURCE**

Ex-Im Bank and the Private Export Funding Corporation (PEFCO) have developed alternate funding programs for lenders and exporters. For lenders, PEFCO offers a liquidity/overline facility which allows lenders to leverage limited capital resources. For exporters, two programs are available: (1) the Accessible Lender Program was designed to assist those exporters to whom Ex-Im Bank has issued a preliminary commitment but are still otherwise unable to find a lender; (2) the Underserved Market Program was designed to assist small businesses in targeted markets obtain working capital financing for exports. Those targeted markets are minority-owned businesses, women-owned businesses, businesses located in economically depressed areas or in rural areas, and environmental businesses. Ex-Im Bank provides a 100 percent guarantee under both programs.

#### **CITY/STATE PARTNERS PROGRAM**

To expedite processing, Ex-Im Bank established the City/State Partners Program, consisting of state and municipal organizations whose staff receive training in Ex-Im Bank programs and can guide the exporter (or the lender new to the Program) through the application process. To obtain additional information on the City/State Partner in your locality, please contact Ex-Im Bank directly or visit Ex-Im Bank's Web-site.

## **ACCELERATED PROCESSING**

Ex-Im Bank offers lenders accelerated processing of requests through the Priority Lender Program (PLP) and Delegated Authority (DA). Under the PLP, lenders whose staff have received Ex-Im Bank training and who have made at least two transactions operative under the Program may submit a complete write-up of the exporter and transaction and be given a ten-business-day turnaround on their complete application. Since most of the work has already been done by the lender, Ex-Im Bank can make its decision sooner.

Since October, 1994, Ex-Im Bank has given DA to over 90 qualified lenders, including several City/State Partners, which allows them to commit Ex-Im Bank's guarantee as soon as they have made their internal credit decision. No further analysis is done by Ex-Im Bank. As an added incentive, Ex-Im Bank allows the DA lender to retain a portion of the facility fee, and to separately collateralize the 10% unguaranteed portion of the loan. DA is available at five levels, with limits ranging from \$1 million per borrower/ \$10 million on an aggregate basis, to \$10 million per borrower/\$150 million on an aggregate basis. For a list of Delegated Authority Lenders, please contact Ex-Im Bank directly or visit Ex-Im Bank's Web-site.

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## **MORE INFORMATION**

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Order User's Guide	(800) 565-EXIM, ext. 3912
Seminars	(800) 565-EXIM, ext. 3912
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### **Regional Offices**

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Midwest - Chicago	(312) 353-8081	Fax (312) 353-8098
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